

Message Text

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43

ACTION ARA-10

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TO SECSTATE WASHDC 7111

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TAGS: EFIN, EGEN, EIND, PGOV, PE

SUBJECT: AMBASSADOR CALLS ON FINANCE MINISTER

REF: LIMA 8176

1. AMBASSADOR ACCOMPANIED BY AID MISSION DIRECTOR AND ECON/COMM COUNSELOR CALLED ON NEW MINISTER OF ECONOMY AND FINANCE, LUIS BARUA, AFTERNOON SEPTEMBER 30. BARUA WAS ACCOMPANIED BY DIRECTOR SUPERIOR DR. ROBERTO KEIL, DIRECTOR GENERAL FOR INTERNATIONAL AFFAIRS ING. SEBASTIAN SALINAS AND BY NEW CENTRAL BANK PRESIDENT DR. CARLOS SANTISTEVAN. BARUA SEEMED CONFIDENT AND NOT DISCONCERTED IN THE LEAST BY BEING THE FIRST CIVILIAN CABINET MINISTER IN SEVEN YEARS OF MILITARY GOVERNMENT. BUSINESSLIKE CONVERSATION TOUCHED ON NUMBER OF POINTS:

2. ECONOMIC POLICY - BARUA SAID NEW ADMINISTRATION'S FISCAL AND MONETARY POLICY WOULD BE GUIDED STRICTLY BY ECONOMIC INTERESTS OF COUNTRY. IF DIFFICULT DECISIONS WERE NECESSARY, THEY WOULD BE MADE, AND HE REFERRED OBLIQUELY TO PERU'S RECENT DEVALUATION. SIMILARLY, PERU WOULD NOT HESITATE TO RESORT TO ITS DRAWING RIGHTS WITH THE IMF. (NOTE:

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THIS IS REFRESHING CHANGE FROM VELASCO GOVERNMENT'S AL-

MOST PATHOLOGICAL AVERSION TO SUCH MEASURES WHICH IT APPEARED TO REGARD AS ADMISSIONS OF WEAKNESS REFLECTING ADVERSELY ON THE REVOLUTION.) BARUA SAID PERU WOULD ALSO BE RESORTING TO OTHER IFI'S AND GOVERNMENTS FOR ASSISTANCE (REFERRING SPECIFICALLY TO LARGE PRELIMINARY AID COMMITMENTS BY CANADA) AND THAT PERU HAS BEEN GRATEFUL FOR SUPPORT IT HAS RECEIVED FROM U.S. COMMERCIAL BANKS. HE BELIEVED THAT RELATIONS WITH THE U.S. WOULD NOW IMPROVE AND EXPRESSED HIS HOPE FOR GREATER COOPERATION. AMBASSADOR SAID U.S. ALSO LOOKED FORWARD TO GREATER COOPERATION AND REFERRED TO AID MISSION DIRECTOR'S PRESENCE AT PARIS CG MEETING.

3. MARCONA - AMBASSADOR NOTED MARCONA PROBLEM WHICH HE SAID IT WAS IN THE INTEREST OF BOTH COUNTRIES TO RESOLVE PROMPTLY. BARUA SAID HE WAS AWARE OF THIS AND THAT HE HAD BEEN PRESENT AT MEETING BETWEEN PRIME MINISTER AND MARCONA, WHICH HE CHARACTERIZED AS VERY "POSITIVE". MATTER IS NOW IN HANDS OF HIGHLY COMPETENT COMMISSION. ONE SOURCE OF CONCERN, HE ADDED, IS THAT, ACCORDING TO COMMISSION MEMBER BROUSSET, MARCONA HAS HARDENED ITS POSITION AS EVIDENCED BY NEW, HIGHER A.D. LITTLE EVALUATION. AMBASSADOR REPLIED THAT ON CONTRARY MARCONA'S POSITION IS EXTREMELY FLEXIBLE. HE REVIEWED WIDE RANGE OF POSSIBILITIES OPEN TO NEGOTIATORS (PARAGRAPH 2 OF LIMA 8176) AND LEFT BARUA WRITTEN OUTLINE OF THESE POINTS.

4. GULF - AMBASSADOR SAID THAT ANOTHER MATTER WHICH WASHINGTON VIEWS SERIOUSLY IS CASE OF GULF. WHILE AMOUNT IS RELATIVELY SMALL, THERE HAS BEEN LITTLE FORWARD MOVEMENT, AND FAILURE TO PROGRESS COULD IMPERIL PERU'S ELIGIBILITY FOR GSP. BARUA AND KEIL APPEARED TO TAKE THIS SERIOUSLY. KEIL AND SANTISTEVAN EXPRESSED SOME SURPRISE SINCE IN GULF CASE EXPROPRIATING DECREE IMPOSED NO IMPEDIMENT TO COMPENSATION. AS FAR AS KEIL KNEW, CASE WAS PROCEEDING AT NORMAL PACE THROUGH ESTABLISHED LEGAL CHANNELS AND HE UNDERSTOOD THAT COMPENSATION OF BETWEEN \$1.5 TO \$1.8 MILLION IS UNDER CONSIDERATION. SANTISTEVAN RECOGNIZED THAT LACK OF PROGRESS COULD LEAD TO MISUNDERSTANDING OF PERU'S INTENT TO PROVIDE COMPENSATION.

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5. DELAYS EXPERIENCED BY AID - AS LAST ITEM ON AGENDA, AMBASSADOR REFERRED TO GOP DELAYS BEING EXPERIENCED BY AID IN IMPLEMENTATION OF SEVERAL LOANS. USAID DIRECTOR AND KEIL AGREED TO MEET FOLLOWING WEEK TO DISCUSS PROBLEMS IN DETAIL.
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